



COMPETITION PLAN UPDATE

INTRODUCTION

September 2004

INTRODUCTION

The Ted Stevens Anchorage International Airport (the Airport) is owned by the State of Alaska and is operated as a financially self-sufficient enterprise of the Department of Transportation and Public Facilities (DOT&PF). The Airport serves as the primary air transportation hub for the State of Alaska. In terms of all-cargo air freighter traffic, the Airport is the 3rd largest cargo airport in the world in terms of tonnage and the largest cargo airport in North America, in terms of cargo landed weight. The Airport is also the primary passenger airport for both domestic and international flights serving Alaska.

Because Alaska Airlines carried in excess of 50 percent of the passenger enplaning at Anchorage during the most recent reporting year, the Airport is obligated to prepare and present a Competition Plan Update to the Secretary of Transportation as a condition of receiving Airport Improvement Program (AIP) grants from the Federal Aviation Administration or authorization to levy new or increased Passenger Facility Charges (PFCs).

The Airport continues to be classified as a medium hub passenger airport and a large hub cargo airport. It is unusual in that nearly 80% of landing and fuel flowage fee revenues are generated from the cargo market segment.

The Airport's location also makes it unique. There are no competing medium or large hub airports within 1500 miles. In addition, only two percent of Alaska is accessible by roads. Alaskans also tend to have an unusually high propensity for air travel, given that Alaska has one of the highest levels of income per capita in the nation, there is low accessibility to travel by other modes of transportation, and the distance to even the nearest large centers of population and commerce is measured in thousands of miles. Consequently, the entire state is highly dependent on air transportation to move both cargo and passengers.

Passenger demand and service at the Airport is also characterized by a high degree of seasonality. Summer tourism is the largest generator of passenger traffic at the Airport-- over 55% of the annual passenger traffic is generated during a four-month period.

Air service at the Airport has been expanding as new destinations and competitive services increase. In 2000 and 2001, the Airport negotiated a new, pro-competitive Alaska International Airports System Airline Operating Agreement and Terminal Lease (AOA), effective October 1, 2001 through June 30, 2006.

The Airport is currently negotiating a one-year extension (Master Supplement No. 1) of the AOA due to expire on June 30, 2006. In the one-year extension the Airport has made every effort to make all changes requested by the FAA during the approval process of the initial competition plan. This extension will not be binding until all signatory carriers have signed the supplement and the Airport has executed the agreement. The new expiration date of the AOA, if approved, would be June 30, 2007. (See Appendix I for Master Supplement No. 1)

Both the State of Alaska's public service concern to ensure open, competitive access to new entrant carriers and its recognition of the importance of this issue on the federal level were prominent drivers in negotiations for the AOA. As noted in AOA Section 4.01, DOT&PF Terminal Management Policy:

DOT&PF's policy and obligation is to manage Airport System terminals so as to serve the traveling public, maximize efficient utilization of space and facilities, and facilitate the transportation of passengers and goods, while optimizing competitive opportunities for airlines and retaining the ability to accommodate both new entrant airlines and periodic service expansions and contractions by incumbent airlines

Accordingly, the State took pains to reserve to itself effective powers to deal with constraints in the supply of gates and other terminal facilities to continue and increase its flexibility in finding successful solutions to airline space requests. The State of Alaska and the Airport continually strive to attract new domestic and international air services.

The initial competition plan set forth features of the AOA that ensure competitive access. It also described the Airport's commitment to specific actions the Airport now takes or is in the process of implementing in its on-going efforts to increase competition. The competition plan update will show that the Airport continues to work to ensure that every carrier has access to facilities at the airport and that it continually strives to attract new carriers to its market. The Airport now has even greater ability to implement a common-use philosophy as

expanded passenger terminal facilities and additional gates are completed. The Airport committed, in the initial plan submission, to better facilitate access to its facilities through more formalized procedures for new entrant airline and incumbent airline access review, by developing a new Tenant/Carrier Handbook and by creation of a Competitive Access Team to ensure all carriers competitive access to the Airport. The Access Team is very active; the Handbook has been incredibly successful and highly valued by both carriers seeking to enter the market and by third-party vendors looking to offer new services at the Airport.



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1. **Availability of gates and related facilities -- the airport should provide copies of gate use monitoring procedures amended during the update period and samples of current gate monitoring charts and should identify or describe changes relating to:**

(a) Number and identity of any air carriers that have begun providing or stopped service;

Two new low-fare carriers and one commuter carrier began serving Ted Stevens Anchorage International Airport in 2004. Frontier Airlines began non-stop service between Denver and Anchorage on May 9, and America West Airlines began non-stop service between Phoenix and Anchorage on June 1. Bellair (Kenai Express) began operating seven flights per day between Anchorage and Kenai. No carriers have terminated service at Anchorage since the submission of the initial Competition Plan in 2003.

(b) Description of the process for accommodating new service;

The Airport's process for accommodating new service has not changed since the submission of the initial competition plan.

The Airport put a great deal of effort into crafting a reasonable procedure in the AOA to ensure that no new entrant is turned away for lack of facility access. As stated in AOA Section 5.01, "*DOT&PF's policy is to ensure open access to the Airport System by maintaining balanced utilization of Airport facilities.*" The accommodation procedures, which allow the Airport to grant even exclusively leased space to a new entrant, are set out in detail in Sections 5.02 - 5.04 of the AOA, attached as the first item in the Appendix to this plan.

A new entrant air carrier may at any time approach the Airport informally to request use of Airport Administered or common use space, which currently includes just less than one-third of all gates at the Airport. Such space is available for one-time or scheduled use, and may be made available for short-term lease or even converted to preferential space for a new or expanding signatory to the AOA.

A new entrant with or without a code-share or other relationship with an existing carrier at the Airport may also work directly with that existing carrier to work out a sublease arrangement. Such a voluntary sublease must

receive the consent of the Airport, but the Airport would generally not scrutinize the business terms of the sublease. However, the Airport also reserves the right under AOA Section 13.03 to withhold consent to any associated ground-handling service.

If no Airport Administered space is available to satisfy the requesting airline's need and the requesting airline does not elect to inquire of other carriers on its own initiative, the Airport may, but is not required to, direct the "Requesting Airline" to pose the request to the AOA Signatory carriers either individually or as a committee. If the Requesting carrier makes such requests, each Signatory carrier is required to "*make all reasonable efforts to accommodate any such request . . .*" Specifically so as not to compel the premature disclosure of competitively sensitive information, the AOA provides an exception where "*the Requesting Airline has demonstrated to the reasonable satisfaction of DOT&PF that it should not, for competitive reasons, be required to make such requests of one or more Signatory Airlines either individually or in committee.*" AOA Section 5.02.A.

If the informal process described above does not satisfy the Requesting Airline's needs, or competitive concerns preclude individual accommodation requests, it may submit to the Airport a written request for facilities. If it has not already done so, the Airport will first attempt to provide adequate facilities from airport administered or common use facilities. If airport administered or common use facilities are unavailable, then the Airport will give the air carriers ten days notice that the Airport "*may grant such Requesting Airline the right of shared use of all or a designated portion of one or more Signatory Airlines' **preferential and exclusive** use premises including associated Aircraft Parking Positions. In making such determination DOT&PF shall have complete flexibility to fashion an operating arrangement that is reasonably fair to all of the affected parties.*" AOA Section 5.02.B (emphasis added).

The Airport's selection of space in which to accommodate the Requesting Airline is to be guided by the priorities and considerations provided in AOA Section 5.03. Once the Airport selects space in which to accommodate the Requesting Airline, the Airport notifies the Signatory carrier(s) affected, which must, in turn, begin the accommodation starting the eleventh day after the Airport gives the notice.

The accommodation procedures in the AOA afford the Airport considerable authority to require and set the terms for accommodation of

new entrant carriers. Perhaps as important, that authority of Airport management to select space and compel accommodation serves as a powerful incentive for existing carriers to fulfill their obligation to make reasonable accommodation efforts on their own.

(c) Number of new gates that have been built or are now available;

A new Concourse C opened in June 2004 and added nine domestic gates raising the total number of gates to 35. The table below reflects that, as of 2004, the gate mix shifted to 32% Airport-administered (11 gates) and 68% preferential (24 gates).

TABLE 1.1 - GATE AND RON PARKING SUMMARY

Year	Domestic Preferential	Domestic Airport Administered	International Airport Administered	Remote Over Night (RON)
2003	18	2	6	13
2004	24	5	6	13

(d) Number of gates that have been converted to common-use status [note: this also applies to the common-use gate category];

The Airport converted three gates (A-7, B-1, and B-7) to common-use status after Alaska Airlines vacated their gates in Concourses A and B to Concourse C in June 2004. This allowed Northwest Airlines to relocate their one gate on Concourse A to a vacated gate on Concourse B to consolidate Northwest's operations. Continental, for the first time, has their own gate from which to operate. Northern Air Cargo leased Gate B-5 after Alaska vacated the gate. Northern Air Cargo leases the gate to handle the charter flights operated by BP/Conoco Phillips. After the move, this allowed three gates (A-7, B-1, and B-7) to be converted to common-use status for a total of five (5) common-use gates (A-5, A-6, A-7, B-1, and B-7).

(e) Gate utilization; See chart under (g).

(f) Gate recapture;

As stated in (d) above, the Airport recaptured three gates (A-7, B-1, B-7) after the move of Alaska Airlines from the Concourses A and B to

Concourse C in June 2004, and the subsequent relocation of Northwest Airlines from Concourse A to Concourse B.

(g) Gate allocation or assignments since the last competition plan update;

Gate Number	2003 Plan	2004 Plan
A5	Common-Use	Common-Use
A6	Common-Use/Alaska	Common-Use
A7	Northwest	Common-Use
A8	Alaska	Continental
A14	Frontier Flying Service	Frontier Flying Service
A15	Frontier Flying Service	Frontier Flying Service
L1	Peninsula Airways	Peninsula Airways
L2	Era Aviation	Era Aviation
B1	Alaska	Common-Use
B3	Alaska	Alaska
B4	Alaska	Alaska
B5	Alaska	Northern Air Cargo
B6	Alaska	Alaska
B7	Alaska	Common-Use
B8	Alaska	United Airlines
B9	United Airlines	United Airlines
B10	Northwest Airlines	Northwest Airlines
B11	Alaska	Northwest Airlines
C1	Did not exist in 2003	Alaska
C2	Did not exist in 2003	Alaska
C3	Did not exist in 2003	Alaska
C4	Did not exist in 2003	Alaska
C5	Did not exist in 2003	Alaska
C6	Did not exist in 2003	Alaska
C7	Did not exist in 2003	Alaska
C8	Did not exist in 2003	Alaska
C9	Did not exist in 2003	Alaska
N1	Delta	Delta
N3	Delta	Delta

(h) RON position allocation or assignments since the last competition plan update;

There has been no change in the method of assigning RON position parking. All RON positions are airport-administered.

(i) Accommodation of new entrants and incumbent carriers seeking to expand at the airport and resolution of any access disputes;

With the timely opening of Concourse C and the relocation of the majority of Alaska Airlines' flights to the new concourse the Airport was able to accommodate all requests from carriers seeking to enter the market or to expand service. During this update period, the Airport has accommodated three new carriers (Frontier, America West and Northern Air Cargo) as well as to accommodate Continental's request for a preferential gate.

(j) Methods for developing gate use monitoring charts and airport uses of the charts:

The Airport continues to develop gate use charts from a combination of the air carrier schedules and the Airport's MUFID's system.

(k) The FAA asked the Airport to revisit the four-hour window of Section 5.03.

In the Master Supplement, the Airport has amended Section 5.03 to read "Preferential Use Premises may be made available to a Requesting Airline at a time when there is a "window" of three (3) hours or longer at any Adjacent Aircraft Parking Position associated with the specified Preferential Use Premises, (two (2) hours or longer at certain ground loading Aircraft Parking Positions designated by DOT&PF) with no scheduled flight arrival or departure activity.

(l) The Airport committed to developing new leasing protocols prior to the renewal of the AOA.

In the Master Supplement, the Airport has amended Section 4.01 is amended by the addition of language to the end of the paragraph to read as follows:

In further support of DOT&PF's obligation to optimize competitive opportunities for new entrant and incumbent airlines, *** (Name of Airline) *** will, together with the other Signatory Airlines, in good faith cooperate fully with DOT&PF to seek resolution to any conflicting demand for direct lease, rental or Airport Administered use of unleased terminal space and privileges for associated Adjacent Aircraft Parking Positions, including space that becomes available due to the expiration of a lease at the expiration or termination of an Agreement. DOT&PF will establish and inform *** (Name of Airline) *** of a system for providing notice of the availability of terminal space and, to the extent legally permissible, a procedure affording the Airline/Airport Affairs Committee a reasonable opportunity to work out a resolution in the event that any two or more airlines apply to lease, rent or otherwise use any particular portion of unleased terminal space for the same or overlapping periods. *** (Name of Airline) *** will cooperate in good faith with such efforts, but the ultimate authority for allocation of terminal space shall at all times remain in DOT&PF."

2. Leasing and subleasing arrangements -- the airport should provide copies of amended lease and use agreements executed during the update period and should identify or describe any major changes in:

(a) Contractual arrangements at the airport, for example, disposition of any gate lease agreements that were renewed or changed; The current Operating Agreement signed by the Signatory Airlines expires in June 2006. At this time there have been no changes to the agreement.

(b) Assuring access at the airport; There has been no change in the process the Airport uses to assure access to the airport for all carriers. We continue to work to ensure any carrier wishing to operate has the appropriate facilities to accommodate new or expanded service.

(c) Monitoring sublease fees and arrangements; There has been no change in the method the Airport uses to monitor sublease fees and arrangements.

(d) Promoting the use of third-party contractors; No change.

(e) Resolution of any disputes between carriers relating to access. There have been no disputes between carriers relating to access during this time period.

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3. **Patterns of air service -- the airport should identify changes relating to new markets served, new markets served by low fare carriers, or the number of markets served by one carrier.**

PASSENGER AIR CARRIERS

(August 2004)*

Interstate Domestic

Alaska Airlines
American
America West Airlines
Continental
Delta
Frontier Airlines
Hawaiian
Northwest
Sun Country
United Airlines

Intrastate Domestic

Alaska Airlines
Era Aviation
Frontier Flying
Grant Aviation
Hageland Aviation
Peninsula Air
Phillips Aviation
BP Aviation
FS Air Service
Bellair (Kenai Express)

International

Air Canada
Condor
China Airlines
Korean Air
Mavial/Magadan Air

International Charters

Japan Airlines
North American Airlines
Omni Air International

TOTAL NUMBER OF CARRIERS SERVING ANCHORAGE: 27

*Due to the seasonality of service, some listed carriers are not offering service to the Airport at the date of submission of this competition plan, but will resume service for the summer 2005 season.

LOW-FARE CARRIERS

In 2004 two low-fare carriers began serving the Anchorage market, Frontier Airlines and America West.

NEW MARKETS

No new markets were added or dropped over the last year. However, three new carriers (Frontier, America West and Bellair) entered the market, creating expanded or new competition in existing markets. Frontier began non-stop service between Anchorage and Denver.

Frontier's new service announcement was followed by both United Airlines and Alaska Airlines offering non-stop service on the Anchorage-Denver lane segment. Bellair began new commuter service between Anchorage and Kenai.

The airport also had three international charter operators offer flights between Tokyo and Anchorage in 2004.

4. **Gate assignment policy – the airport should identify major changes should be identified including changes in RON position assignment policies.**

There have been no changes in gate assignment or RON position assignment policies since the last competition plan submission.

5. **Gate use requirements—the airport should identify major changes in requirements for signatory status; lease requirements; common-use gate priorities; gate use monitoring; and calculation of rental rates and common-use fees as well as disparities in fees.**

There have been no changes in any of the gate use requirements since the last competition plan submission. All of these requirements are administered according to the current Operating Agreement. The current Operating Agreement signed by the Signatory Airlines expires in June 2006. At this time there have been no changes to the agreement.

In the FAA's approval letter additional information was requested to be submitted with the Competition Plan update. The FAA asked whether the Competitive Access Team (CATEam) considered additional information to be posted on the web page and whether to recommend a regulatory change to establish a special priority for new entrant service.

The CATEam published, on the web site, a sample of the AOA, which details Gate Use Requirements for obtaining a preferential lease. The CATEam did not feel that it was necessary to establish a special priority for gate use to accommodate new entrant service. With excess gate capacity, any new entrant or carrier seeking to expand service can easily be accommodated.

6. **Financial Constraints -- airports should identify any additional financial constraints from the previous year or the relaxation of any financial constraints.**

The Airport has funded--and continues to fund--terminal projects using one or more of the following sources:

International Airport Revenue Funds (rates and fees from carriers and tenants), Passenger Facility Charges (PFC's), and General Airport Revenue Bonds (bonds sold to finance construction and paid back from revenue received from carriers and tenants).

As of June 30, 2004, the Airport System had a total outstanding debt of \$716,548,23 with payments distributed through the year 2028 (average yearly payment = \$29.9 million). Roughly 56% of this indebtedness was incurred to finance terminal projects. The Airport System currently has plans to sell additional Revenue Bonds for the terminal remodel and FY05-07 capital projects. However, the timing and amount of the sale are yet to be determined.

7. **Airport controls over airside and groundside capacity -- the airport should identify any major changes in its rates and charges policy and describe whether and why the MII clause has been invoked in the period covered by the update.**

There have been no changes in the rates and charges policies since the last competition plan submission. The MII clause has not been invoked during the period of time covered by this update.

The FAA requested additional information on how the MII process has operated. Specifically, if the airport anticipate making the CIP part of every AOA; if there had been any project disapprovals; whether the airport had accomplished any projects that were not in the CIP; and if there had been any consideration to removing the MII clauses from the AOA.

The Airport does anticipate that the CIP will be an integral part of every AOA so long as the AOA remains a residual agreement. There has not been any project disapprovals since the last Competition Plan submission. There have no projects accomplished that were not in the CIP. The Airport does not anticipate the removal of the MII clause from the AOA.

8. **Airport intentions to build or acquire gates that would be used as common facilities -- airports should provide any updates to plans for additional gates as common facilities.**

The Airport intends to build three new airport administered RON parking positions to be completed in 2007. The airport does not intend to build any new gates nor does it anticipate acquiring any additional gates.



COMPETITION PLAN UPDATE

APPENDIX I

September 2004

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND PUBLIC
FACILITIES

ALASKA INTERNATIONAL AIRPORTS SYSTEM
OPERATING AGREEMENT AND PASSENGER TERMINAL
LEASE

MASTER SUPPLEMENT NO. 1

AGREEMENT NO. ADA-@

THIS SUPPLEMENT to Alaska International Airports System Operating Agreement and Passenger Terminal Lease ADA-@, is made and entered into this 17th day of September, 2004, by and between the State of Alaska, acting by and through its Department of Transportation and Public Facilities (DOT&PF) as operator of the Fairbanks International Airport and Ted Stevens Anchorage International Airport (ANC), together comprising the Alaska International Airports System (AIAS), and [FULL NAME OF AIRLINE], (*** (Name of Airline) ***), whose address is _____.

WITNESSETH:

WHEREAS, the parties hereto entered into Alaska International Airports System Operating Agreement and Passenger Terminal Lease ADA-@ (Agreement) effective on the first day of October, 2001;

WHEREAS, the Agreement provides for the setting of rates, fees and charges for use of AIAS facilities to cover the operating costs of the AIAS and those costs of AIAS capital improvements that are not paid for by federal grants or Passenger Facility Charges (PFC);

WHEREAS, the Agreement provides for an opportunity for *** (Name of Airline) ***, together with other airlines that are signatory to a comparable AIAS operating agreement (Signatory Airlines), to review and to vote to approve or to disapprove proposed AIAS capital projects and increases in the cost of projects previously approved, not disapproved, or initiated after deferral due to

disapproval, to the extent the same are not exempt from such a vote under the terms of the Agreement;

WHEREAS, unanticipated increases in the cost of the reconstruction of Concourse C of the South Terminal at Ted Stevens Anchorage International Airport as part of the Terminal Redevelopment Project (TRP) have increased the capital funding requirements of the AIAS to an extent not anticipated by the parties when they entered into the Agreement;

WHEREAS, in light of the unanticipated increase in the capital requirement of the AIAS and the currently depressed condition of the aviation passenger market, the parties and the other Signatory Airlines, have negotiated adjustments to the AIAS Capital Improvement Program (CIP) previously approved by the Signatory Airlines under the Agreement, along with other modifications to reduce the impact that the increased capital requirements would otherwise have on AIAS rates, fees and charges;

WHEREAS the AIAS CIP for Fiscal Years 2005 through 2009 must be coordinated with the funding requirements for the design and construction of major redevelopment of Concourses A and B as continuing phases of the TRP;

WHEREAS, as a result, the parties find it will be to their mutual advantage to supplement, amend, or revise the Agreement; and

NOW, THEREFORE, in consideration of the foregoing, the Agreement is hereby supplemented, amended or revised in the following particulars only, viz.:

- I. Agreement **Exhibit "C,"** stating the **FY 2002-2006 Capital Improvement Program**, is hereby replaced in its entirety by Exhibit "C₂," dated September 14, 2004, attached hereto, stating a revised FY 2002-2006 Capital Improvement Program, together with a schedule of approved projects deferred, to one or more subsequent Fiscal Years. All references to Exhibit "C" shall be hereafter understood to refer to Exhibit "C₂" or such subsequent schedule stating the Capital Improvement Program as modified by written supplement to this Agreement executed by the parties.
- II. **Article 2 (Term)** Section 2.02 is hereby amended to read as follows:

Section 2.02. Expiration of Agreement

This Agreement shall, unless terminated earlier under its provisions, including the paragraph immediately below, expire at 12:00 midnight, Alaska time, June 30, 2007.

The termination date above is based on the intent and expectation that the reconstruction of Concourses A and B and the remainder of the south terminal to resolve life safety and building code issues will proceed as continuing phases of the TRP resulting in comparable levels of finish with Concourse C. If by June 30, 2006, adequate progress, such as completion of design and funding approvals for construction, has not been achieved on such reconstruction of Concourse B, the remainder of the south terminal and Concourse A, then this Agreement shall terminate at 12:00 midnight, Alaska time, on that date, unless otherwise agreed by the parties.

- III. **Article 4 (Lease of Premises)** Section 4.01 is amended by the addition of language to the end of the paragraph to read as follows:

In further support of DOT&PF's obligation to optimize competitive opportunities for new entrant and incumbent airlines, *** (Name of Airline) *** will, together with the other Signatory Airlines, in good faith cooperate fully with DOT&PF to seek resolution to any conflicting demand for direct lease, rental or Airport Administered use of unleased terminal space and privileges for associated Adjacent Aircraft Parking Positions, including space that becomes available due to the expiration of a lease at the expiration or termination of an Agreement. DOT&PF will establish and inform *** (Name of Airline) *** of a system for providing notice of the availability of terminal space and, to the extent legally permissible, a procedure affording the Airline/Airport Affairs Committee a reasonable opportunity to work out a resolution in the event that any two or more airlines apply to lease, rent or otherwise use any particular portion of unleased terminal space for the same or overlapping periods. *** (Name of Airline) *** will cooperate in good faith with such efforts, but the ultimate authority for allocation of terminal space shall at all times remain in DOT&PF.

- IV. **Article 5 (Subordinate Use of Premises)** Section 5.03.D is hereby amended to read as follows:

D. In all such instances, DOT&PF shall make a good faith effort to avoid or minimize schedule conflicts between the Requesting Airline and *** (Name of Airline) ***, if DOT&PF calls upon *** (Name of Airline) *** to share *** (Name of Airline) ***'s Preferential or Exclusive Use Premises, or any Airport Administered or Common Use Premises that *** (Name of Airline) *** is using. When DOT&PF determines that it is necessary under this Article 5 to make any of *** (Name of Airline) ***'s Preferential or Exclusive Use Premises available to a Requesting Airline for shared use, DOT&PF shall provide fifteen (15) days written notice to *** (Name of Airline) *** that DOT&PF is making specified Preferential or Exclusive Use Premises and any associated Aircraft Parking Position available to the Requesting Airline. Preferential Use Premises may be made available to a Requesting Airline at a time when there is a "window" of three (3) hours or longer at any Adjacent Aircraft Parking Position associated with the specified Preferential Use Premises, (two (2) hours or longer at certain ground loading Aircraft Parking Positions designated by DOT&PF) with no scheduled flight arrival or departure activity. Beginning the eleventh (11th) day after DOT&PF provides such notice, DOT&PF may allow, and *** (Name of Airline) *** must accommodate, Requesting Airline's use of *** (Name of Airline) ***'s Preferential Use Premises starting thirty (30) minutes after the scheduled time for the last scheduled activity prior to the window, until thirty (30) minutes before the scheduled time of the next scheduled activity that closes the window. Requesting Airline's use of *** (Name of Airline) ***'s Exclusive Use Premises shall be limited to reasonably necessary use incidental to the Requesting Airline's flight activity. Flight and flight-related operations by *** (Name of Airline) *** and the Requesting Airline at the designated Preferential Use Premises and designated Aircraft Parking Position shall be subject to the following conditions:

1. Upon and after the commencement of operations at such Aircraft Parking Position by the Requesting Airline, *** (Name of Airline) *** shall promptly vacate the designated Preferential Use Premises and remove its aircraft and ground equipment from the designated Aircraft Parking Position at the commencement of the window or, at the latest, thirty (30) minutes following the opening of the window;
2. DOT&PF will require that the Requesting Airline occupy and use the designated Preferential Use Premises, and position its aircraft or ground equipment at the designated Aircraft Parking

Position, no earlier than thirty (30) minutes following the opening of the window; and

3. DOT&PF will require the Requesting Airline to vacate the designated Preferential Use Premises and remove its aircraft and ground equipment from the designated Aircraft Parking Position not later than thirty (30) minutes prior to the close of the window.

V. **Article 6 (Capital Projects)** Section 6.01.B is hereby amended to read as follows:

B. The Capital Projects identified as part of the Capital Improvement Program described in attached Exhibit "C" to this Agreement shall be deemed approved by the Signatory Airlines unless specifically identified as not pre-approved. However, notwithstanding the agreement to defer projects identified on Exhibit "C" as approved but deferred, to the extent the deferral of any itemized project would result in a loss of discretionary funding from the FAA, that project is not deferred, but is reinstated to the Capital Improvement Program for any Fiscal Year necessary or desirable to take advantage of the available discretionary funding if, and only if, the reinstatement of such projects does not increase costs in the airline rate base. Any local matching shares for deferred projects reinstated prior to their deferral year shall be funded with contributions from the Airport Development Fund and/or allocations of excess budget from completed projects on Exhibit "C." The approval of projects as stated in Exhibit "C," as well as any comparable approval under a Former Agreement, shall be deemed to include approval of reasonable adjustments to the scope, timing, and cost of individual approved Capital Projects, provided that total Capital Improvement Program costs over the five-year period may not increase by more than ten percent (10%) of the total estimated Capital Improvement Program costs as stated on attached Exhibit "C", and provided that total Capital Improvement Program costs in any Fiscal Year may not increase by more than fifteen percent (15%) of the Capital Improvement Program costs for that Fiscal Year as stated on attached Exhibit "C". Any cost increase beyond the limits stated in this paragraph shall be subject to Signatory Airline vote under Section 6.03, except that any scope change or cost increase that would be entitled to exemption as an independent Capital Project under Section 6.02 shall be exempt from further Signatory Airline vote.

VI. **Article 6 (Capital Projects)** Section 6.03.F is hereby deleted and the following paragraphs F through H are substituted to read as follows:

F. DOT&PF has submitted to *** (Name of Airline) *** and the other Signatory Airlines a capital improvement program for Fiscal Years 2005 to 2009 for Signatory Airline review. Together with the other Signatory Airlines, *** (Name of Airline) *** has in good faith reviewed and negotiated a capital improvement program for Fiscal Years 2005 to 2009 with DOT&PF with a target for agreement by August 30, 2004 so that revenue bonds to finance projects for Fiscal Years 2005 and 2006 may be authorized before the end of Fiscal Year 2005 and beginning of Fiscal Year 2006. *** (Name of Airline) *** understands that if by August 30, 2004 the Signatory Airlines have not approved such a future capital improvement program, DOT&PF intends to submit to the Signatory Airlines a cash-financed or bond-financed Fiscal Years 2005 and 2006 capital improvement program for any approval required under this Section.

G. *** (Name of Airline) *** will in good faith review any multi-year capital improvement program developed by the Airport System for Fiscal Years beyond 2009 and submitted to the Signatory Airlines. On or before March 1, 2007, DOT&PF will submit such a proposed future multi-year capital improvement program to Signatory Airlines for review. *** (Name of Airline) *** and DOT&PF adopt the mutual goal of achieving Signatory Airline approval of a future multi-year capital improvement program before June 30, 2007 so that revenue bonds to finance projects that begin in Fiscal Year 2010 may be authorized and sold before the beginning of that Fiscal Year. *** (Name of Airline) *** understands that if by August 30, 2007 the Signatory Airlines have not approved such a future capital improvement program, DOT&PF intends to submit to the Signatory Airlines a cash-financed or bond-financed Fiscal Year 2010 capital improvement program for any approval required under this Section.

H. To the extent DOT&PF receives from the Transportation Security Administration (TSA) in any Fiscal Year reimbursement for capital costs at ANC for construction or equipment required by the TSA for security purposes or for use by the TSA, DOT&PF will apply such reimbursement received after June 30, 2003, to costs of the TRP in the next Fiscal Year in which DOT&PF incurs TRP costs, or to Annual Debt service.

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- VII. **Article 8 (Records and Reports)** is hereby amended to add a new Section 8.04 to read as follows:

Section 8.04. Audit of IARF Fund Balances

DOT&PF will undertake a full audit of the respective Fiscal Year 2001 and 2002 balances in the funds or accounts established under the Bond Resolution, in the Administrative Funds described under Article 10 (Bond Resolution; Establishment of Funds), Section 10.02 (Establishment of Funds), and any residual balance in the IARF not otherwise designated within any identified fund or account. The purpose of the audit is to determine

1. The actual balance within each fund at the end of Fiscal Year 2001 and the end of Fiscal Year 2002;
2. The balance required in each fund to satisfy the requirements of this Agreement, including the funding of any Capital Projects approved under the Former Agreement or this Agreement as referenced in Section 10.04 (Use of Funds), Subsection E; and
3. Any balance beyond what DOT&PF reasonably determines it needs to provide the AIAS with sufficient operating flexibility and that can therefore be used to help pay for a portion of the Terminal Redevelopment Project.

On March 8, 2004, DOT&PF provided to *** (Name of Airline) *** and the other Signatory Airlines a preliminary report of the audit under this section, and on July 16, 2004, a revised report dated July 5, 2004, after the Airline/Airport Affairs Committee returned written comments to DOT&PF.

- VIII. **Article 9 (Calculation Of Rental Rates Fees And Charges)**
Section 9.09.C. is hereby amended to add paragraphs 4 through 6 to read as follows:

4. **For Fiscal Year 2004, \$2.0 million from the existing IARF balance;**
5. **For each Fiscal Year, 2004 through 2007, or such earlier year that this Agreement is terminated, \$1.0 million annually to reflect the reduction in the actual deposit to the Airport System Development**

Fund as compared to the Fund Deposit Requirement for that Fund, and

6. To the extent authorized by the FAA, for each Fiscal Year 2004 through 2007, or such earlier date that this Agreement is terminated, \$2.0 million from PFC collections to be applied to Annual Debt Service for each of the stated Fiscal Years. If the FAA does not authorize the use of \$2.0 million of PFCs annually for Fiscal Years 2004 through 2007 to be applied to Annual Debt Service the extension of this Agreement from June 30, 2006 to June 30, 2007 shall be void.

IX. Article 10 (Bond Resolution; Establishment of Funds) Section 10.03.B.4 is hereby amended to read as follows:

4. The Fund Deposit Requirement for the Airport System Development Fund shall equal \$6.0 million for the Fiscal Year ending in 2002. For each Fiscal Year after 2002 the Fund Deposit Requirement for the Airport System Development Fund shall be the prior year's Airport System Development Fund Deposit Requirement multiplied by one (1) plus the percentage increase, if any, in the Anchorage CPI during the most recently ended twelve (12)-month period for which the Anchorage CPI is available. Nevertheless, the amount actually deposited to the Airport System Development Fund for each of Fiscal Year 2004 through Fiscal Year 2007, or such earlier year that this Agreement is terminated, will be \$1.0 million less than the Fund Deposit Requirement calculated as stated above.

X. Article 17 (General Provisions) Section 17.22 is hereby amended to read as follows:

Section 17.22. Entire Agreement

Except as described in Section 17.25, this Agreement with all attached exhibits constitutes the entire agreement between DOT&PF and *** (Name of Airline) *** at the Airport. Statements previously made, verbal or written, are merged in this Agreement. Until signed by the Commissioner of DOT&PF or his designated representative, this Agreement is of no effect.

Other than the self-effective supplements described in Section 4.04 and this Section, this Agreement may only be amended in a writing that is signed by the authorized representatives of both parties. A supplement that has been executed by DOT&PF and not less than two-thirds of all Signatory Airlines not then in default under this Agreement may become a self-effective supplement as to all Signatory Airlines upon written notice by DOT&PF. A self-effective supplement under the previous sentence may not modify the *** (Name of Airline) ***'s Premises under this Agreement.

- XI. Subject to execution of this Supplement by both Parties, this Master Supplement No. 1 shall become effective retroactive to July 1, 2003 as of the date that DOT&PF and all Signatory Airlines have executed this Master Supplement No. 1. Any and all statements previously made, verbal or written, with respect to any matter considered at any time to be addressed in this Supplement are merged in this Supplement and if not expressed in this Supplement are of no effect.

**ALL OTHER TERMS, PROVISIONS, AND COVENANTS REMAIN
UNCHANGED.**

IN WITNESS WHEREOF, the parties have set their hands and day and year as stated in the acknowledgements below:

[FULL NAME OF AIRLINE]

By:

Title:

(CORPORATE SEAL)

STATE OF _____)

)s.

_____)

(Judicial District or County)

THIS IS TO CERTIFY that on this _____ day of _____, 2004, before me, the undersigned, a Notary Public in and for the State of _____, duly commissioned and sworn, personally appeared _____, known to me to be an officer of the above named corporation, and who executed the same for and on behalf of said corporation, and who is fully authorized by said corporation so to do; and that the corporate seal affixed to said instrument is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year written above.

Notary Public in and for: _____
My Commission

Expires: _____

STATE OF ALASKA DEPARTMENT OF
**TRANSPORTATION AND PUBLIC
FACILITIES**
TED STEVENS ANCHORAGE
INTERNATIONAL AIRPORT



***Ted Stevens Anchorage International Airport
Competition Plan Update
September 2004***